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TRENDS IN FOREIGN AID, 1977–86

STUDY PREPARED

BY THE

FOREIGN AFFAIRS AND NATIONAL
DEFENSE DIVISION
CONGRESSIONAL RESEARCH SERVICE

FOR THE

SELECT COMMITTEE ON HUNGER
U.S. HOUSE OF REPRESENTATIVES

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LETTER OF TRANSMITTAL

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON HUNGER,
Washington, DC.

To Members of the Select Committee on Hunger:

I am pleased to transmit to committee members the enclosed report, "Trends in Foreign Aid, 1977–86." I believe this report, prepared for the Select Committee by the Foreign Affairs and National Defense Division of the Congressional Research Service, will prove to be a valuable resource for committee members and for others interested in the struggle against chronic hunger and malnutrition. The report measures, by various quantitative indicators, the allocation and distribution of U.S. Government foreign assistance funds over the 10 year period of fiscal year 1977 through fiscal year 1986. A number of charts and graphs show the absolute and relative distribution of official assistance. Typical U.S. assistance portfolios in six major recipient countries are also discussed in the report. I commend this report for your study and use.

Sincerely,

MICKEY LELAND, *Chairman.*

PREFACE

The Select Committee on Hunger has the responsibility, among other tasks, of identifying feasible interventions that can be undertaken by the U.S. Government to address chronic malnutrition and hunger in developing countries. Hunger affects hundreds of millions of people in Third World nations where over 15 million lives are lost annually due to malnutrition-related illness and, indeed, from outright starvation. More than 40,000 people—the majority of whom are children—die from the effects of hunger daily. An estimated 27,000 children each day die of hunger in the countries assisted by the U.S. Agency for International Development (AID) alone.

The U.S. Government, since the period of the Marshall Plan in the late 1940's, has committed several billion dollars each year for various foreign assistance programs. The United States has always been, and continues to be, the most significant donor government in the world measured by the level of funds if not the proportion of gross domestic product allocated to foreign assistance programs. Despite current reductions in the funding levels for the foreign assistance accounts, that fact is not likely to change.

The interest of the Select Committee on Hunger is to determine in what ways the foreign assistance programs of this country can more effectively address the chronic hunger and malnutrition of the people who reside in the nations that are recipients of U.S. foreign assistance. Since its creation in 1984, the select committee has been involved in various initiatives, in concert with standing congressional committees, to enhance and expand various aspects of the foreign assistance program. African famine relief, primary health care, and food aid programs have all been of great concern to the committee membership.

The committee also has an interest in larger foreign assistance questions such as the proportion of overall funding which is available for sustainable, long-term development assistance and thus a direct assault on the underlying poverty which is the root cause of chronic hunger in our world. The committee has an ongoing interest in the implementation of a basic human needs approach to the foreign aid program, long a congressional priority.

These concerns led the committee to request from the Congressional Research Service the study which follows. The request from the committee to CRS was to research the major trends, by various quantitative measurements, in the relative and absolute distribution of U.S. Government foreign assistance funds over the 10 year period of fiscal year 1977 through fiscal year 1986. The study traces the size and composition of foreign aid appropriations and obligations, the percent of U.S. gross domestic product allocated to for-

eign aid and how this allocation compares with that of other Western donors and, as well, the regional distribution of foreign assistance. The study includes a discussion of typical aid programs in six major recipient countries.

The study produced by the Foreign Affairs and National Defense Division of CRS contains many findings of great interest to anyone interested in pursuing an attack on hunger, disease, and absolute poverty in the world. The findings are, in fact, of such importance that the Select Committee felt it incumbent to have the study printed and made available to a wider audience. We are all indebted to the professional staff of the Congressional Research Service for producing such a thorough, comprehensive, and valuable report. The Select Committee on Hunger is certain this report will be an asset to many in the Congress with an interest in enhancing the effectiveness of our foreign assistance programs. It will serve as an important resource for the authorizing and appropriations committees as difficult questions about the composition and distribution of foreign assistance funding come into focus during a period of budgetary constraint.

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TRENDS IN FOREIGN AID

The information which follows responds to a request from the House Select Committee on Hunger for a series of graphs, charts, and tables illustrating various trends in U.S. Government foreign assistance expenditures over the 10 year period of fiscal year 1977 through fiscal year 1986.

The data which follow examine American foreign assistance from a number of different perspectives. The charts and tables are assembled into five major groupings: size of foreign assistance obligations; composition of aid obligations; composition of foreign aid appropriations; U.S. resources (percentage of GNP) allocated to foreign assistance and how this compares with allocations made by other Western donors; and regional distribution of the assistance provided. Also included is a discussion of typical aid programs in Indonesia, Ecuador, Kenya, Pakistan, Zaire, and Honduras.

Sources

Data concerning U.S. foreign aid obligations are taken from the U.S. Agency for International Development. Amounts of foreign aid appropriations come from various House and Senate Appropriation reports during the past 10 years. Figures comparing the percent of GNP allocated to foreign assistance by the United States and other donors is taken from the annual Organization for Economic Cooperation and Development (OECD) publication, "Development Co-Operation." Information on aid programs in selected countries comes from various AID Congressional Presentation Documents, 1977–1987.

Methodology

Except for charts 6, 8, 9, and 10, all amounts are expressed as obligations of foreign assistance—that is, the amount committed in each year for the purpose or country in question. Because some foreign aid funds may be obligated over a multiyear period, obligated amounts will not track precisely with levels appropriated for foreign assistance.

For the purpose of comparing amounts of aid levels over an extensive period of time, several of the charts show assistance in constant, or real terms, as well as in current, or nominal terms. Because dollars lose their value over time, a comparison in strictly nominal terms would result in distorted trends and mistaken conclusions. The index used to convert current dollars into constant 1986 dollars is the annual GNP price deflator. The expression of aid levels in these constant terms provides a useful measure of the cost to the American people of foreign assistance. It is less useful, however, in measuring the value of aid to the recipients because of

shifting exchange rates, different inflation levels, and varying overhead costs of different types of programs.

In order to limit the extent to which trends might be distorted by unusual or unique events in aid programming, the figures have been adjusted to exclude amounts associated with special, one-time, aid initiatives. These include the 1979 $4 billion aid package for Israel and Egypt linked to the Camp David Accords, the approximately $700 million in African famine relief assistance in fiscal 1984 and 1985, and the 1985 $2.25 billion emergency economic stabilization program for Israel, Egypt, and Jordan. If these amounts were included in this analysis, the results would overstate aid increases in 1979, 1984, and 1985. Their inclusion would understate or disguise the large aid decreases in 1986, since a large amount of the emergency food and economic aid was not obligated until 1986. The charts shown throughout this package reflect amounts for continuing, regular foreign assistance programs.

In several graphics, various foreign assistance programs are grouped into major types of activities. Unless otherwise noted in the text, these groupings are defined as follows:

Development/food aid—AID bilateral functional development accounts, AID operating expenses, AID miscellaneous programs (disaster aid, ASHA, etc.), Peace Corps, other miscellaneous economic assistance (Inter-American Foundation, African Development Foundation, Trade and Development, etc.), contributions to multilateral development banks and international organizations, and the Public Law 480 Program;

Economic support fund—obligations assigned to this single account; and

Military aid—military assistance program (MAP), foreign military sales (FMS) credits, military training (IMET), and peacekeeping operations.

I. Size of Foreign Aid Programs

The first series of charts show trends in the size of overall foreign assistance programs, as well as the size of major sub-groupings of selected economic and military activities. Amounts are expressed in both nominal and constant terms. Note also that a different scale (y axis) is used for chart 1 and charts 2 through 4.

TOTAL AID

Chart 1 shows that, except for a brief period in 1980/81, U.S. foreign aid obligations rose consistently between 1977 and 1985 in both real and nominal terms. The amount of assistance peaked in 1985, but fell significantly in 1986. During this 10 year period, foreign aid obligations increased by 11 percent in constant dollars and by 92 percent in current dollars.

DEVELOPMENT/FOOD AID

As chart 2 illustrates, in nominal terms, development/food aid grew steadily in modest amounts between 1977 and 1984, rose sharply in 1985, and fell off in 1986. In real dollars, development/food assistance increased in the late 1970's, peaking at $7.6 billion in 1979. A period of decline followed so that by 1984, development/

food assistance had reached the lowest level ($6 billion) since 1977. Resources increased sharply in 1985 but fell back to the lowest amount, in real terms, during the period. Since 1977, development/food aid has increased by 46 percent in current dollars, but declined by 16 percent in constant dollars.

ECONOMIC SUPPORT FUND

Chart 3 shows obligations for aid channeled through the ESF. Between 1977 and 1981, ESF levels remained relatively stable in current terms and declined somewhat in constant dollars. For the next 4 years, amounts increased steadily in both nominal and real terms. As with other programs, ESF aid fell in 1986. During the 10-year period, ESF increased by 102 percent in current dollars and by 17 percent in constant dollars.

MILITARY AID

As chart 4 shows, military assistance rose in 1979, even after excluding amounts associated with the Camp David Accords, but fell back in 1980 to the lowest level of the past decade. A 4-year sharp rise—real and nominal—in military assistance followed; amounts peaked in 1984 at $7 billion (constant dollars). Military aid declined in 1985 and 1986—the result of lower appropriations and a shift from loans to grants in Israeli and Egyptian military assistance. Since 1977, military programs have increased by 165 percent in current dollars and by 53 percent in constant dollars.

CHART 1.—U.S. Foreign Aid Obligations, 1977–86 (Measured in current and constant dollars)

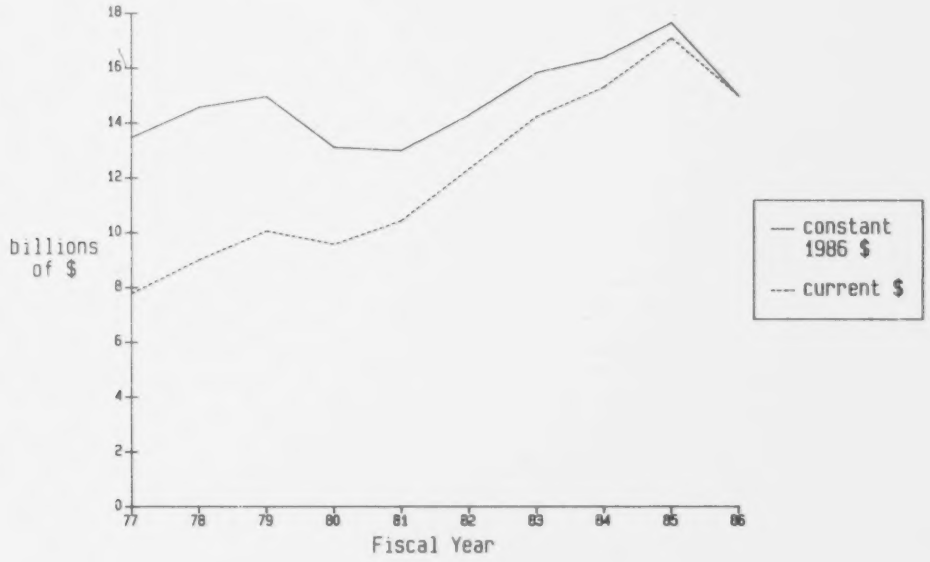


CHART 2.—Development/Food Aid Obligations, 1977–86 (Measured in current and constant dollars)

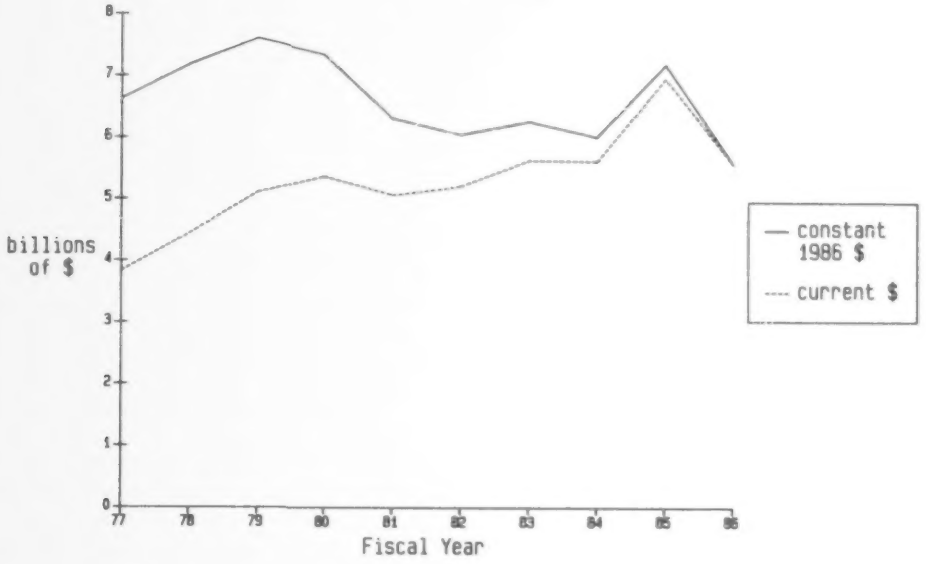


CHART 3.—Economic Support Fund Obligations, 1977–86 (Measured in current and constant dollars)

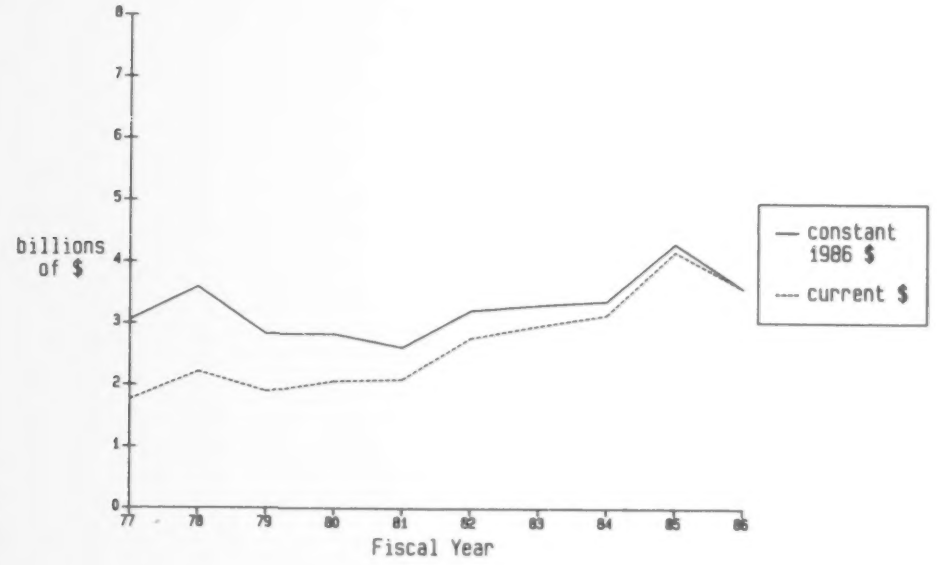


CHART 4.—Military Aid Obligations, 1977-86 (Measured in current and constant dollars)

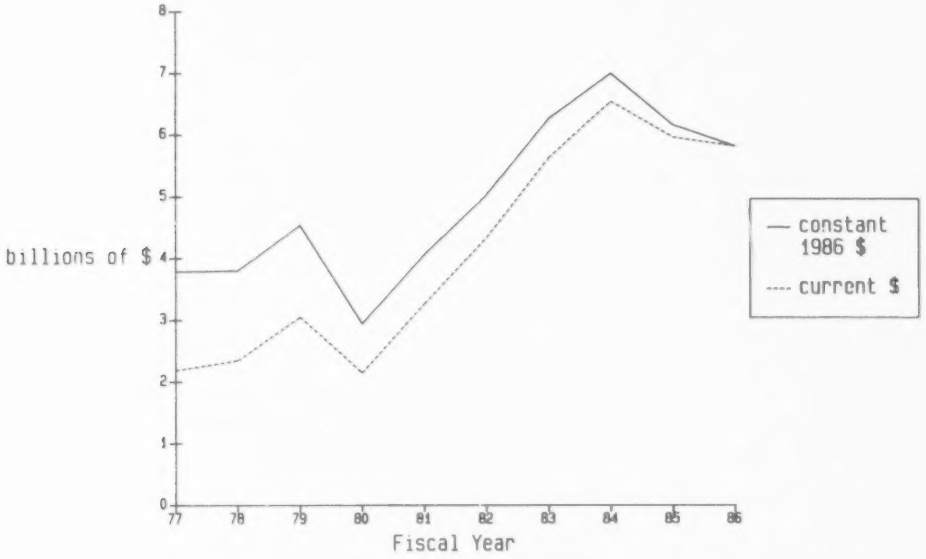


TABLE 1.—FOREIGN ASSISTANCE OBLIGATIONS: 1977-86

[In millions of current dollars]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Development/food aid	3,828	4,440	5,111	5,364	5,071	5,212	5,632	5,616	6,956	5,574
Economic support fund	1,766	2,221	1,897	2,068	2,099	2,770	2,971	3,146	4,167	3,576
Military aid	2,190	2,353	3,053	2,147	3,269	4,341	5.630	6,542	5,959	5,812
Total assistance	7,784	9,014	10,061	9,579	10,439	12,323	14,233	15,304	17,082	14,962

TABLE 2.—FOREIGN ASSISTANCE OBLIGATIONS: 1977-86

[In millions of constant 1986 dollars]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Development/food aid	6,623	7,179	7,608	7,341	6,309	6,045	6,265	6,009	7,187	5,574
Economic support fund	3,056	3,591	2,823	2,832	2,612	3,213	3,306	3,367	4,305	3,576
Military aid	3,789	3,805	4,545	2,939	4,067	5,034	6,263	7,000	6,157	5,812
Total assistance	13,468	14,575	14,976	13,112	12,988	14,292	15,834	16,376	17,649	14,962

II. COMPOSITION OF FOREIGN ASSISTANCE OBLIGATIONS

Chart 5 shows how the United States has allocated foreign aid resources among the three major groupings during the period 1977-86. The most significant shift over the past 10 years has been the decline in the share for development/food aid and the corresponding rise in military allocations. Between 1977 and 1981, development/food programs accounted for about one-half of foreign aid

obligations, reaching a high of 56 percent in 1980. Beginning in 1982, the proportion began to fall—the current level of 37.3 percent is near the lowest point over the period. The trend for military aid is the reverse of that for development/food programs. During the late 1970's, military assistance received 25 to 30 percent of foreign aid resources. In 1982, the proportion for military programs grew to over one-third of total obligations for the first time and peaked in 1984 at 42.7 percent. The 1986 level is 38.8 percent. The share of total aid represented by ESF has changed only slightly during the period, ranging between about 19 and 25 percent.

CHART 5.—Composition of U.S. Foreign Aid Obligations, 1977–86

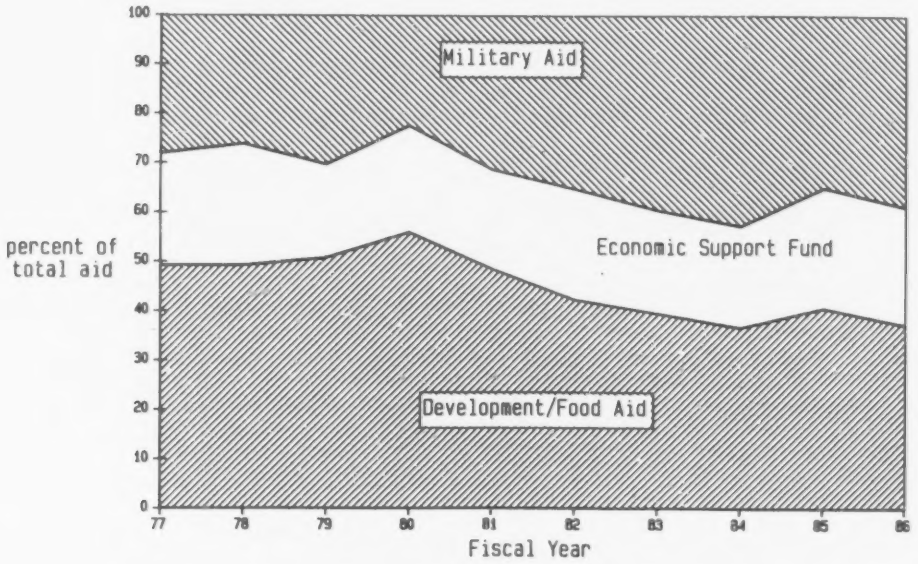


TABLE 3.—COMPOSITION OF U.S. FOREIGN AID, 1977–86

[In percent]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Development/food aid	49.2	49.3	50.8	56.0	48.6	42.3	39.6	36.7	40.7	37.3
Economic support fund	22.7	24.6	18.9	21.6	20.1	22.5	20.9	20.6	24.4	23.9
Military aid	28.1	26.1	30.3	22.4	31.3	35.2	39.6	42.7	34.9	38.8
Total assistance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

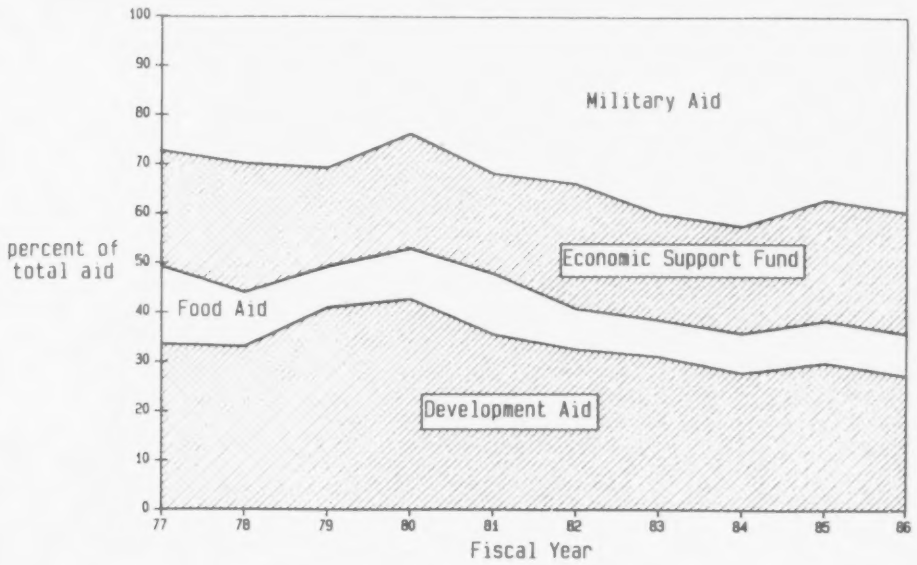
III. Composition of Foreign Assistance Appropriations

Chart 6 shows the composition of foreign assistance appropriations between 1977 and 1986, arranged by four major categories: development aid, food assistance (Public Law 480), Economic Support

Fund,[1] and military aid. While the trends are largely the same as those observed in chart 5 (composition of foreign aid obligations), the amounts for foreign assistance appropriations will not match precisely the levels of obligations. Amounts shown in this graphic reflect actual appropriations—in some cases, such as the fiscal 1984 supplemental funding for Central America, money is appropriated in one year but obligated in subsequent years.

As chart 6 shows, development assistance claimed about 33 percent of total appropriations in 1977, climbing to a 43-percent share by 1980. The proportion has fallen steadily since, to 27 percent in 1986, the lowest during the period. Food assistance took about 16 percent of appropriations in 1977, decreased to 8 percent in 1982, and remained at about this level through 1986. ESF consumed between 20 and 25 percent of foreign aid appropriations over the past 10 years. With the exception of 1980, the share of foreign assistance appropriations allocated to military aid increased each year between 1977 and 1984. After reaching a high of 42 percent in 1984, the proportion for military programs fell off somewhat and is set at 40 percent for 1986.

CHART 6.—Composition of U.S. Foreign Aid Appropriations, 1977-86



[1] Note that in this section, ESF appropriation levels also include other security-related aid funded within the bilateral economic title of foreign aid appropriations. This includes amounts provided for peacekeeping operations, antiterrorism programs, and for humanitarian aid to the Nicaraguan contras.

TABLE 4.—COMPOSITION OF U.S. FOREIGN AID APPROPRIATIONS, 1977–86

[In millions of current dollars]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Development assistance	2,487	2,781	3,963	3,710	3,559	3,941	4,302	4,233	4,779	4,147
Food aid	1,169	923	806	886	1,229	1,000	1,028	1,227	1,355	1,299
Economic support fund	1,735	2,202	1,922	2,007	2,025	3,065	2,993	3,302	3,902	3,741
Military aid	2,022	2,509	2,981	2,058	3,185	4,104	5,536	6,480	5,910	6,027
Total	7,413	8,415	9,672	8,661	9,998	12,110	13,859	15,241	15,946	15,214

TABLE 5.—COMPOSITION OF U.S. FOREIGN AID APPROPRIATIONS, 1977–86

[Percent of total appropriation]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Development assistance	33.5	33.0	41.0	42.8	35.6	32.5	31.0	27.8	30.0	27.3
Food aid	15.8	11.0	8.3	10.2	12.3	8.3	7.4	8.1	8.5	8.5
Economic support fund	23.4	26.2	19.9	23.2	20.3	25.3	21.6	21.7	24.5	24.6
Military aid	27.3	29.8	30.8	23.8	31.9	33.9	39.9	42.5	37.1	39.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

IV. Foreign Assistance as a Percent of GNP—United States and Other Donors Compared

The following series of graphs illustrate two points: first, the percent of U.S. GNP represented by total American foreign assistance; and second, how various Western donors, including the United States, compare in their allocations of official development assistance.

TOTAL U.S. AID AS A PERCENT OF GNP

Chart 7 shows that total American foreign assistance as a percent of GNP has been both small and relatively stable during the 10 year period. It has ranged between 0.35 and 0.43 percent. The rise in foreign aid obligations in 1985 and the subsequent decline in 1986 is reflected in the share of GNP assumed by foreign assistance in those years.

OFFICIAL DEVELOPMENT ASSISTANCE AS A PERCENT OF DONOR GNP

Chart 8 compares U.S. official development assistance as a percent of GNP with that of the average of members of the Development Assistance Committee (DAC). (Official development assistance (ODA) is a term used by the Organization for Economic Cooperation and Development to define concessional economic assistance provided by donor countries to third world recipients. Data beyond 1984 are not available.) During the period 1977–84, American ODA, measured as a percent of GNP, was consistently below the average amount provided all members of the DAC. As computed by the DAC, American ODA has represented about one-quarter of 1 percent of GNP while the DAC average has ranged between 0.33 and 0.38 percent of GNP.

CHART 7.—Foreign Aid as a Percent of U.S. GNP, 1977–86

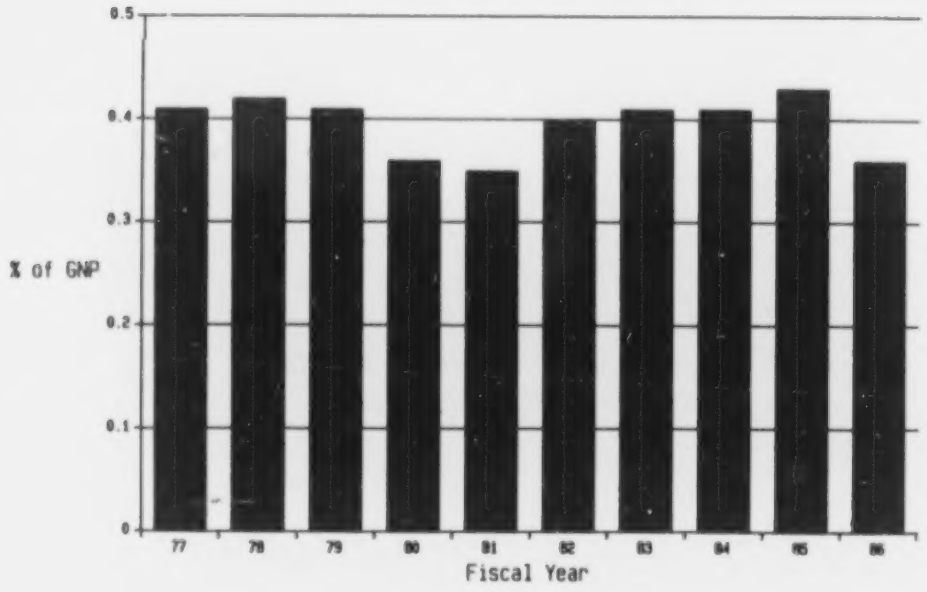


CHART 8.—ODA as a Percent of GNP: U.S. and DAC Compared, 1977–84

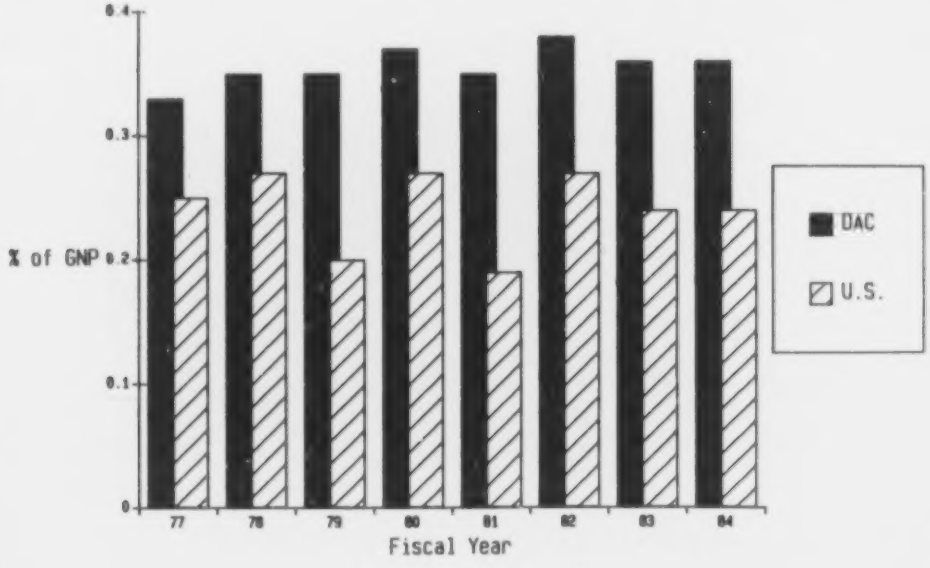


TABLE 6.—U.S. FOREIGN AID AS A PERCENT OF GNP, 1977–86

	Percent
1977	.41
1978	.42
1979	.41
1980	.36
1981	.35
1982	.40
1983	.41
1984	.41
1985	.43
1986	.36

TABLE 7.—DAC OFFICIAL DEVELOPMENT ASSISTANCE: 1977–84

[Percentage of donor GNP]

	United States	DAC
1977	.25	.33
1978	.27	.35
1979	.20	.35
1980	.27	.37
1981	.19	.35
1982	.27	.38
1983	.24	.36
1984	.24	.36

TABLE 8.—DAC OFFICIAL DEVELOPMENT ASSISTANCE: 1984

[Percentage of donor GNP in millions of current dollars]

	Total ODA	
	Millions	Percent of GNP
Australia	777	.46
Austria	181	.28
Belgium	433	.56
Canada	1,625	.50
Denmark	449	.85
Finland	178	.36
France	3,788	.77
West Germany	2,782	.45
Italy	1,133	.33
Japan	4,319	.35
Netherlands	1,268	1.02
New Zealand	55	.25
Norway	543	1.02
Sweden	741	.80
Switzerland	286	.30
United Kingdom	1,418	.33
United States	8,711	.24

Charts 9 and 10 compare ODA allocations for 1984, the most recent year for which data are available, by each member of the DAC in two ways. Chart 9 shows ODA as a percent of donor GNP. As it illustrates, the United States ranks last at 0.24 percent while the Netherlands and Norway top the list at around 1 percent. Chart 10 presents the same comparison, but in terms of dollars in-

stead of percent of GNP. Viewed in this way, the United States is by far the largest donor of ODA at over $8.7 billion. Japan, the next largest, transferred about $4.3 billion in 1984. Most countries provided less than $1 billion.

V. Regional Allocation of U.S. Assistance

The next series of figures illustrate several dimensions of the regional distribution of American assistance between 1977 and 1986. They show the percentage allocation of both total assistance and development aid, and how U.S. aid per capita compare on a regional basis.

Chart 9.—ODA From DAC Countries: 1984 (Percent of GNP)

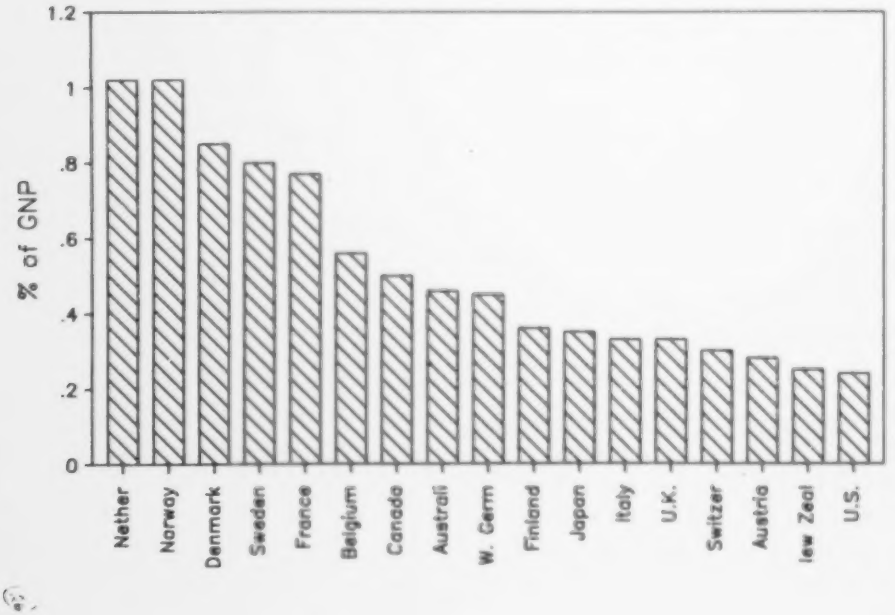
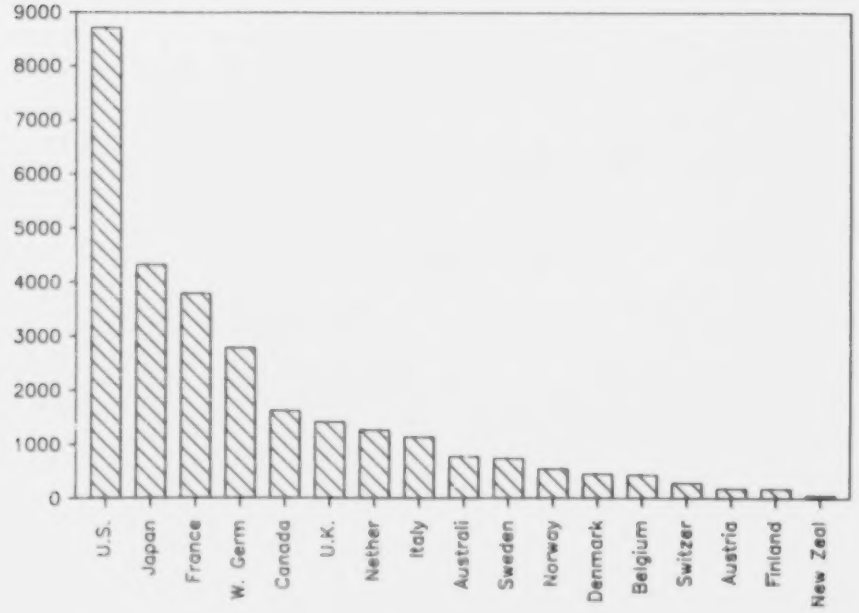


CHART 10.—ODA From DAC Countries: 1984 (In millions of dollars)



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REGIONAL ALLOCATIONS FOR TOTAL AID

Chart 11 shows that throughout this 10-year period, the United States has concentrated most aid on countries in the Middle East. In several years, the Middle East has accounted for over half of all U.S. bilateral assistance. The most significant increase during the period in regional allocations have occurred in Latin America, primarily the result of additional aid for Central America. Representing only 7 percent in 1977, by 1986 aid transfers to this region totalled 14.5 percent of all bilateral programs. The size of aid to Latin America also grew from $689 million in 1977 to $1.7 billion in 1986, measured in constant terms. Europe's share has also increased from about 11 percent in 1977 to about 16 percent in more recent years. In real dollars, European assistance rose from $1.1 billion in 1977 to $1.8 billion in 1986. The share of total aid to countries in Asia declined somewhat over the period, from 22 percent in 1977 to 16 percent in 1986. Levels of assistance measured in constant dollars began to fall in 1979, but rose again starting in 1983. The current level of $1.8 billion is still significantly less than the $2.2 billion provided in 1977, calculated in constant terms. Africa's share of total bilateral aid rose in the early 1980's, to about 12 percent, but fell off to around 9 percent in recent years. Levels of assistance grew steadily during the period to the highest amounts of $1.2 billion in 1982 and 1985, but declined to $919 million in 1986.

CHART 11.—Regional Allocation of U.S. Aid, 1977–86

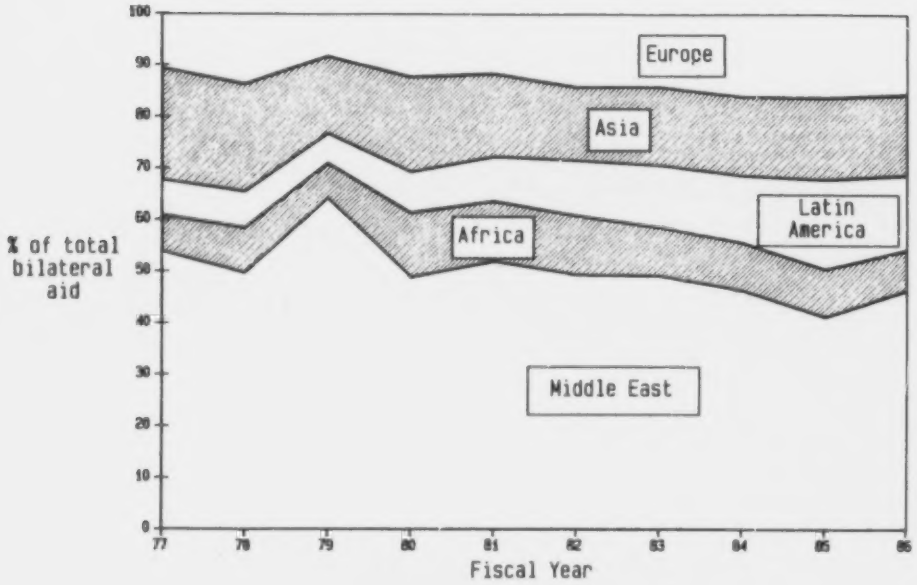

TABLE 9.—REGIONAL ALLOCATION OF U.S. AID: 1977–86

[In millions of constant dollars]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Latin America	689	750	715	711	834	1,149	1,474	1,686	2,300	1,714
Asia	2,209	2,235	1,878	1,656	1,564	1,528	1,864	1,995	2,100	1,840
Middle East	5,488	5,311	8,014	4,394	5,043	5,307	6,029	6,054	5,468	5,475
Europe	1,078	1,472	1,027	1,115	1,131	1,536	1,745	2,106	2,170	1,843
Africa	724	936	849	1,122	1,134	1,236	1,149	1,212	1,236	919
Total assistance	10,187	10,703	12,483	8,998	9,706	10,756	12,261	13,053	13,274	11,791

TABLE 10.—REGIONAL ALLOCATION OF U.S. AID: 1977–86

[In percent]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Latin America	6.8	7.0	5.7	7.9	8.6	10.7	12.0	12.9	17.3	14.5
Asia	21.7	20.9	15.0	18.4	16.1	14.2	15.2	15.3	15.8	15.6
Middle East	53.9	49.6	64.2	48.8	52.0	49.3	49.2	46.4	41.2	46.4
Europe	10.6	13.8	8.2	12.4	11.7	14.3	14.2	16.1	16.3	15.6
Africa	7.1	8.7	6.8	12.5	11.7	11.5	9.4	9.3	9.3	7.8
Total assistance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

REGIONAL ALLOCATIONS FOR DEVELOPMENT ASSISTANCE

Chart 12 shows that, in the case of development programs, either Asia or Latin America have received the largest share during each of the past 10 years. About 40 percent of development aid was channeled to Asia during the late 1970's, but has since declined to

less than 30 percent in 1986. Between 1977 and 1982, allocations for Latin America were relatively stable at about 25 to 27 percent. That share jumped sharply in 1983, and levels for the region have exceeded 35 percent in each of the past 3 years. Africa's share of development assistance has grown over the period—from about 25 percent in the early years, to nearly 30 percent more recently. Countries in Europe and the Middle East have been relatively minor recipients of American development assistance.

AID PER CAPITA

Chart 13 shows U.S. aid per capita organized by major regions. (Because AID has published data necessary to make these calculations for the period 1981–85, an attempt was not made here to undertake the time-consuming task of pulling together population figures for earlier years.) As it suggests, measured on a per capita basis, countries in the Middle East have received far more assistance than other regions. Levels have ranged between $41.97 and $60.59. Per capita aid to Europe and to Latin America have also grown significantly during the 1981–85 period. Amounts for Europe increased from $6 in 1981 to $16.44 in 1985. Per capita assistance to Latin America climbed from $1.98 in 1981 to $5 in 1985. Levels for Africa and Asia have also grown slightly—Africa, from $3.21 in 1981 to $3.83 in 1985; and Asia, from $0.99 in 1981 to $1.40 in 1985.

CHART 12.—Regional Allocation of Development Aid, 1977–86

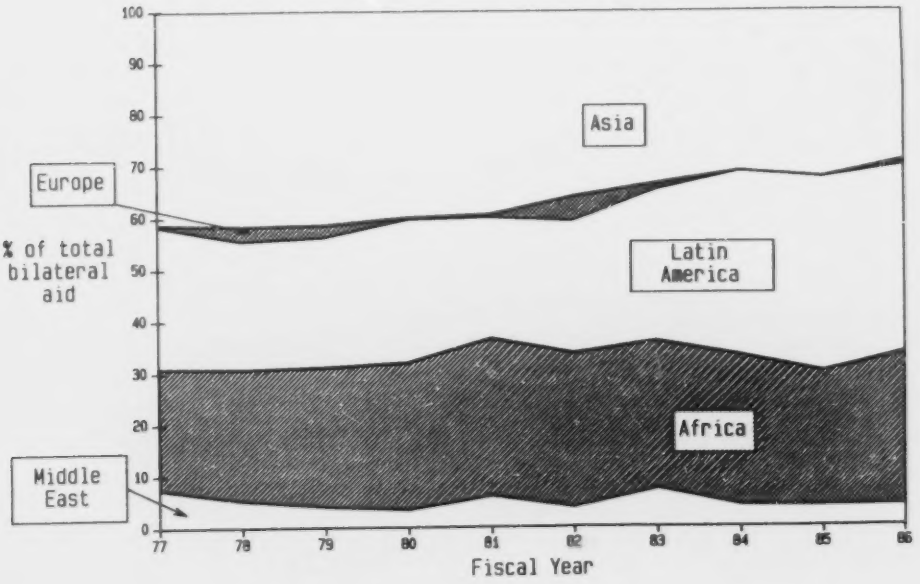

CHART 13.—U.S. Aid Per Capita, 1981–85

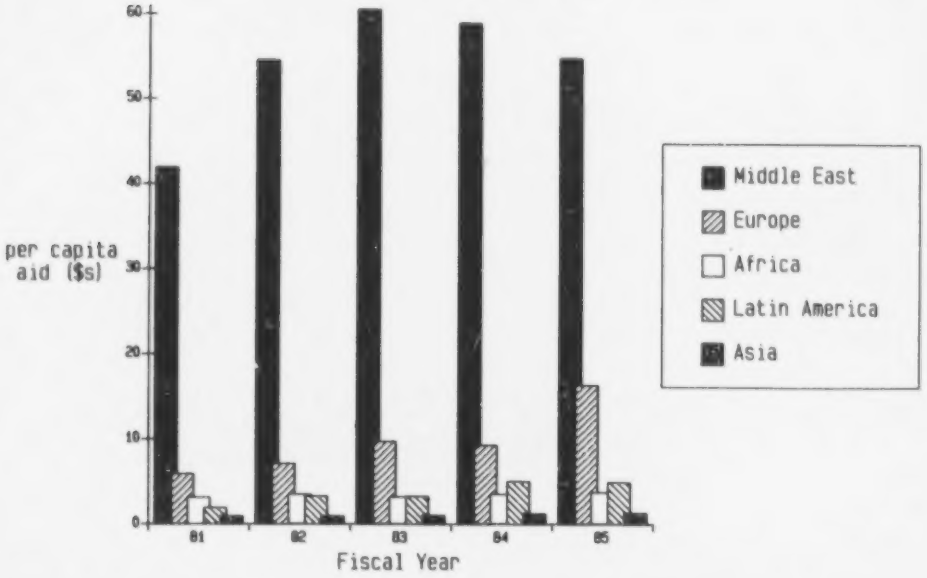

TABLE 11.—REGIONAL ALLOCATION OF U.S. DEVELOPMENT ASSISTANCE, 1977–86

[In percent]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Latin America	27.4	24.8	25.1	27.7	23.4	25.6	29.3	35.5	37.5	36.2
Asia	41.2	41.6	41.4	40.0	39.4	36.0	33.6	31.3	32.5	29.3
Middle East	7.4	5.2	4.1	3.5	6.1	3.8	7.4	4.1	4.0	4.2
Europe	.4	2.8	2.3	.3	.5	4.7	1.2	.0	.0	.9
Africa	23.6	25.5	27.1	28.6	30.5	29.9	28.6	29.1	26.0	29.4
Total assistance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 12.—REGIONAL ALLOCATION OF U.S. DEVELOPMENT ASSISTANCE, 1977–86

[In millions of constant dollars]

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Latin America	529	350	368	374	291	330	380	479	524	415
Asia	495	587	606	540	489	464	436	422	455	335
Middle East	89	74	60	47	76	49	96	56	56	48
Europe	5	40	34	4	6	61	15	0	0	10
Africa	283	359	397	386	379	385	371	393	364	337
Total assistance	1,201	1,410	1,465	1,351	1,241	1,289	1,298	1,350	1,399	1,145

TABLE 13.—U.S. FOREIGN AID, PER CAPITA BY REGION, 1981–85

	1981	1982	1983	1984	1985
Latin America	1.98	3.36	3.32	5.10	5.00
Asia	.99	1.02	1.11	1.31	1.40
Middle East	41.97	54.62	60.59	59.01	54.90
Europe	6.00	7.22	9.83	9.40	16.44

TABLE 13.—U.S. FOREIGN AID, PER CAPITA BY REGION, 1981–85—Continued

	1981	1982	1983	1984	1985
Africa	3.21	3.59	3.29	3.61	3.83

Food Assistance

A brief analysis of the net cost of food aid programs, taking into account such factors as loan reflows, reduced commodity storage costs, and transport tax collections is included in this study. A 1983 Department of Agriculture study that discusses the budget impact of Public Law 480 Programs, including the effects of food aid transfers on the Domestic Price Support Program, inventory maintenance costs, and direct income support payments to farmers serves as a primary resource for this analysis. Based on these factors, and a number of important assumptions made by the Department of Agriculture, this study concluded that between 1978 and 1983, the Public Law 480 Program had a net positive impact of about $1.7 billion on the U.S budget. The Department of Agriculture analysis appears as appendix I, see p. 21.

Examples of Development and Security Programs in Selected Countries

The following section surveys development assistance projects in three countries—Indonesia, Ecuador, and Kenya—and Security Aid Programs in Pakistan, Zaire, and Honduras. It briefly examines the types of activities emphasized and the primary objectives of U.S. programs during the past 10 years.

INDONESIA

During the late 1970's, AID development strategy in Indonesia focused on three major activities: agricultural production to deal with Indonesia's chronic food shortages; population assistance; and manpower training and governmental institution building. Typical major projects included:

A $25 million loan to carry out small scale irrigation works in hopes of expanding rice production, raise rural incomes, and provide employment opportunities for the rural poor;

A rural electrification project scheduled for about $30 million;

A $9 million agricultural research program to adopt new crop varieties and farm technology in Sumatra;

Two family planning projects totaling $70 million over a 6-year period to increase the availability of contraceptives and services; and

A $6.5 million program to develop a pool of skilled Indonesian manpower within selected government ministries.

In more recent years, AID, in addition to promoting increased agricultural production, has also focused on expanding productive off-farm employment in Indonesia. Two projects serve these goals: a $28 million financial institutions development program to provide

self-financing rural credit and savings operations in three provinces; and an $8 million private sector development project that encourages investment and enterprise development in sectors of high employment potential. AID has continued its family planning activities in Indonesia while expanding efforts in health programs. The largest health project is a $14 million effort to develop a cost-effective delivery system to reduce diarrheal disease morbidity and mortality and to immunize mothers and children. In education, AID continues to stress government agency institution building; in addition; AID is giving more attention to augmenting health and agriculture faculties at selected Indonesian universities and indigenous management training institutions.

ECUADOR

Significant U.S. development programs in Ecuador did not begin until 1980 following the election of a civilian administration. While American security aid channeled through the ESF has focused on stabilizing Ecuador's economy, development assistance has emphasized housing and health projects through both private and public facilities. Two current projects that promote urban development goals are:

A $20 million low-income housing program in Solanda; and
A $25 million national housing project.

In the health sector, AID conducts a number of projects, including a $9 million program in 1985 that initiated both a child survival component of an existing activity and a malaria control project.

KENYA

During the past 10 years, AID programs in Kenya have focused largely on Kenya's rapid population growth problem and on improving productivity in the agricultural sector. AID has placed increasing emphasis in recent years on policy dialogue that focuses largely on how the private sector might assume a larger role in each of these areas. The Family Planning Services and Support project, a $39 million activity scheduled to operate through 1991, is the center-piece of U.S. population assistance. It finances private sector distribution of family planning supplies, trains numerous para-professionals, and promotes community-based delivery of supplies and services. AID supports a wide-range of agriculture projects including a $40 million research operation and a $36 million rural private enterprise project that targets agro-industrial, export-oriented rural businesses. A new proposal for fiscal year 1987 is a $40 million Private Enterprise Development project that will support the private sector in four areas over the next 5 years: technology, capital development, skills development, and marketing.

PAKISTAN

In 1981, the United States initiated a 5-year, $3.2 billion Security Assistance Program in Pakistan, consisting of both ESF and military aid. Although the ESF money falls under the security category, it is programmed to meet both short-term economic stabilization requirements and to address Pakistan's long-term development

needs. One of the largest projects funded by ESF resources has been the $233 million agricultural commodities and equipment program, a balance of payment support activity designed to finance the importation of food and commodities, such as fertilizer, wheat, and equipment, necessary to increase agricultural productivity. A similar $100 million project finances imports in the energy sector. Several other projects support Pakistan's energy requirements through rural electrification expansion ($179 million) and energy planning and development that promotes the country's national energy policies ($30 million).

At the same time, AID has programmed a substantial amount of ESF aid on small, long-term development oriented projects, particularly in the health area—such as a $41 million malaria control program and a $13 million primary health care activity. Much of ESF assistance supports the U.S. objective of reducing the amount of opium poppy cultivation in Pakistan. The Northwest Frontier Area Development project ($30 million), for example, promotes improvements in the general living conditions and services available to the people located in the poppy producing areas.

The military component of U.S. security aid finances, on a loan basis, the procurement by Pakistan of military items necessary to modernize its armed forces in air defense fire-power, mobility, anti-armor, and sea defense. In one of the largest purchases in recent years, Pakistan ordered 40 F–16 fighter aircraft.

ZAIRE

Security assistance to Zaire consists of both ESF aid and military support. AID began ESF transfers in fiscal 1983 that, for the most part, support economic stabilization and recovery objectives. An annual $10 million Agricultural Inputs project, for example, has helped finance the importation of U.S. goods used in Zaire to increase agricultural production and marketing. AID has also scheduled $50 million over the next 5 years to support the Central Shaba Agriculture Development Program.

The United States also provides Zaire with small amounts of military assistance—usually less than $10 million each year. These grants finance maintenance costs and spare parts for numerous military items already in Zaire's inventory.

HONDURAS

Until 1982, Honduras received only minimal amounts of U.S. security assistance. Since then, the country has become a major recipient of American ESF and military aid. Nearly all ESF money has been programmed in the form of balance of payments relief. Such aid finances the import of raw materials, spare parts, and intermediate goods from the United States in an effort to enhance productivity and employment opportunities. This ESF stabilization assistance also helps the United States encourage the Honduran Government to undertake structural adjustment and other economic policy reforms.

Increasing levels of U.S. military assistance have served to strengthen the Honduran military and to pursue American policy goals in the region. Military grants have purchased helicopters, trucks, and coastal landing crafts to improve the mobility of the Honduran armed forces.

APPENDIX I

Impact of Public Law 480 Programs

Assuming that Public Law 480 sales and donations do not merely substitute for commercial sales but increase quantities exported, they have a generally positive effect on commodity prices and farm incomes. Consumer costs, however, are not affected appreciably because raw ingredients are a small proportion of food costs, and Public Law 480 is a small component of overall use. Public Law 480 sales generally increase budget outlays in the short run because of the long loan repayment period; however, there are some off-setting savings in outlays for price support and related programs.

The following discussion of the impacts of the Public Law 480 program focuses on the short-run effects of the program. The long term effects may even be more significant since Public Law 480 has a history of developing and expanding commercial markets for U.S. agricultural exports. A look at previous Public Law 480 recipients such as Japan, Taiwan, Korea, and Portugal, to name a few, leads to the conclusion that the program has a high benefit-cost ratio.

TWO PREVIOUS STUDIES OF TITLE I EXPORTS

One analysis of Title I sales was made by a food aid task force in 1978.[1] The task force studied the likely impacts of several program alternatives, including doubling Public Law 480 wheat shipments above assumed base levels for the FY 1979–1983 period. Assuming 50 percent additionality,[2] wheat prices would increase 5 to 15 cents per bushel above the base estimate each year, triggering a production response after the first year. Farm returns would be $47 million above the baseline estimate the first year and would gradually increase to $1.0 billion above the baseline by the fifth year. The cost to the Public Law 480 Title I program would be $3.8 billion over the five-year period, but this would be partially offset by a reduction of $0.9 billion in wheat price support program costs, resulting in net additional costs of $2.9 billion over five years. Savings in price support outlays would have been much higher had not the analysis assumed acreage reduction program adjustments to compensate for stock decreases.

A second study demonstrates much the same effect, but it looks at the problem from the opposite point of view—i.e., reducing

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[1] "New Directions for U.S. Food Aid Assistance: A Report of the Special Task Force on the Operation of Public Law 480," May 1978.

[2] Additionality refers to the increase in total exports as a proportion of exports financed under Public Law 480. For instance, 50 percent additionality would mean that for every two tons of grain financed under Public Law 480, total exports would be expected to increase by one ton. Additionality of less than 100 percent indicates that Public Law 480 financing substitutes for some other method of purchase on some sales.

Public Law 480 instead of increasing it.[3] The study analyzed the likely effects of phasing out the Title I program over the FY 1982–1984 period. The price of wheat, the major program commodity, was estimated to fall by 6 cents below the base estimate in 1982, and 66 cents below the base by 1986. Total farm receipts would drop by $10.3 billion over the 1982–1986 period. Approximately $3.6 billion in Public Law 480 outlays would be saved, but deficiency payments alone would increase by an estimated $1.2 billion over the period, reducing the estimated savings. It is unclear whether acreage reduction assumptions in the study were changed in response to the greater stocks generated by the absence of the Public Law 480 program.

A DIFFERENT APPROACH

The International Affairs and Commodity Programs Staff of the Office of Budget and Program Analysis, U.S. Department of Agriculture, recently took another look at the domestic impact of Public Law 480. This differed from the two previous studies in three important ways: (1) the focus was on actual historical years FY 1978–FY 1982 and the latest estimates for FY 1983, rather than on the future, (2) no offsetting adjustments in acreage reduction programs were assumed to compensate for the absence of Public Law 480 shipments, and (3) it included Title II exports. The exercise assumed that no wheat or rice would have been shipped under Public Law 480 in any of those six years.

ESTIMATED WHEAT AND RICE SHIPMENTS UNDER PUBLIC LAW 480

	Wheat (million bushels) [1]	Rice (million cwt.) [2]
Fiscal year:		
1978	176.3	15.7
1979	170.5	15.9
1980	141.2	15.9
1981	147.8	11.4
1982	144.0	11.7
1983	152.3	14.2
Total	932.1	84.8

[1] Includes flour and other products converted to a wheat basis.
[2] Rough basis.

Source: Official Commodity Credit Corporation [CCC] Commodity and Budget Estimates Books.

Additionality of two-thirds was assumed for Title I shipments and additionality of 100 percent was assumed for Title II shipments. (The emergency relief nature of Title II would indicate that grain could not readily be purchased otherwise.)

Had none of this grain been shipped, and without more restrictive acreage reduction programs, wheat and rice prices would likely have settled at or near the loan levels as stocks accumulated. The surplus grain would have gone under CCC loan and probably would have been forfeited to the CCC at maturity or placed in the farmer-owned reserve.

[3] Carr, A. Barry. "Analysis of Proposed Reduction in Public Law 480 (Food for Peace) Program," Congressional Research Service, Feb. 13, 1981.

Net price support program lending and inventory maintenance would have cost about $3.5 billion more for wheat and $0.6 billion more for rice, a total of about $4.1 billion. In addition, deficiency payments (direct income support payments to farmers) would have increased because of lower prices. The deficiency payment increases are estimated at $3.5 billion for wheat and $350 million for rice, a total of $3.8 billion. Thus, total outlays for price support activities for wheat and rice would have been about $7.9 billion above those actually realized over FY 1978–82 and anticipated for FY 1983.

However, the reduction in costs associated with Public Law 480 must also be considered. It was estimated that the costs of acquiring and shipping wheat and rice for the FY 1978–1983 period have been about $6.2 billion. Comparing the $6.2 billion figure to the $7.9 billion additional cost for price support, it appears that Public Law 480 has had a net positive budget impact of about $1.7 billion for the six-year period.

This conclusion depends on the two key assumptions: (1) there is strongly positive additionality associated with Public Law 480 exports (two-thirds for Title I and 100 percent for Title II), and (2) that no additional acreage reduction programs would have been instituted to compensate for reduced exports. It is likely that, in reality, further steps would have been taken to reduce production and stocks, thus reducing the estimated price support savings. But the analysis points up the trade-offs involved. Without Public Law 480 greater acreage reductions would have been required. Exports would have been lower, reducing economic activity in the farm sector and general economy.

ESTIMATED PUBLIC LAW 480 OUTLAYS FOR WHEAT AND RICE

[In millions of dollars]

	Wheat[1]	Rice	Ocean Transportation[2]	Total
Fiscal year:				
1978	539	149	180	868
1979	700	136	190	1,026
1980	666	194	196	1,056
1981	719	169	250	1,138
1982	631	116	266	1,013
1983	699	144	292	1,135
	3,954	908	1,374	6,236

[1] Includes flour and other wheat products.
[2] Total ocean transportation cost allocated to wheat and rice in the same proportion that wheat and rice tonnage bears to Public Law 480 total tonnage.

Source: CCC estimates books and budget appendices of the U.S. Government